

# Annual Report 2000 of the Environmental Finance Center Network

Environmental Finance Center Network

2000 Annual Report

## Boise State University EFC

**The main focus of the EFC at Boise State University is utility rate setting and capital improvement planning for environmental facilities**

The Environmental Finance Center at Boise State University (EFC 10) was created in 1995 and received its first funding in 1996. The EFC at BSU is contained within the Department of Public Policy and Administration of the College of Social Sciences and Public Affairs. It serves the communities in the Pacific Northwest and Intermountain states of Alaska, Idaho, Oregon and Washington. The mission of the EFC is to help communities and the states with the "how to pay" issues of environmental protection. This report outlines the EFC's accomplishments in 2000, new initiatives for 2001, network collaborations, presentations and results.

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### ACCOMPLISHMENTS

The EFC completed work in the policy areas of Safe Drinking Water, Watershed Protection and Brownfields during 2000. EFC 10 also developed software for small utilities to use as a planning and financing tool for capital improvements.

#### Safe Drinking Water

##### Capacity Development Strategies

The EFC has devoted significant efforts designing and testing drinking water system capacity assessment methodologies required by the 1996 Amendments to the Safe Drinking Water Act. As

part of this effort, the EFC assisted states in improving institutional capacity and formulating and implementing drinking water program capacity development strategies. During the past year, the EFC assisted drinking water programs in the Region 10 states of Alaska, Idaho and Oregon, and the Region 7 states of



Kansas, Iowa and Missouri, as well as the State of Maine in Region 1, in meeting the August 6, 2000 deadline for capacity development strategy implementation required by the SDWA Amendments [1420(c)].

#### **Utility Rate Setting Training and Technical Assistance**

The EFC conducted utility rate design workshops and presentations within Region 10 in 2000. The workshops were organized based upon local demand for assistance and met the goal of providing this training in the majority of Region 10 states. Officials representing water and wastewater facilities in Oregon, Washington and Idaho participated in the Center's full-day training sessions.

#### **Idaho Drinking Water State Revolving Fund**

The EFC assisted the Idaho State Drinking Water Program in further developing its capability screening mechanism for DWSRF loan applications as well as providing technical review of loan applications based on that screening mechanism. This work has been conducted through a contract with the state since 1997. Two loan reviews were delivered in 2000. The EFC also contracted to help promote the DWSRF to improve use of the fund in Idaho. EFC 10 continues to provide information and technical assistance to regulated water systems interested in receiving DWSRF loans from the State and analysis of rate worthiness of SRF loan applications utilizing the Capability Assessment Methodology developed by EFC 10 in 1997.

#### **Financial Management Survey**

The EFC has provided assistance to the Finance Committee of the Pacific Northwest Section of American Water Works Association (AWWA PNWS) since 1997 regarding water and system financial practices of members in Oregon, Washington and Idaho. The EFC provided assistance in a survey that profiled the financial management characteristics of regional water systems. Based on the results of the survey, the EFC was awarded a contract to do a follow up survey that will focus on financial management practices and their relationship to GASB 34 compliance (Government Accounting Standards Board).

#### **CAPFinance™**

During 1998, in cooperation with the BSU College of Engineering, the EFC began the development of capital improvement planning and financing software program for small water and wastewater utilities. The goal was to offer a tool that will help small utilities assess their capital facilities and on the basis of that assessment, prepare a multi-year financing plan. This financial information could greatly aid small water and wastewater systems in meeting the full-cost pricing needs of their operations. Beta testing of the program began in Idaho in the summer of 1999 and continued in 2000.

The development of this software was in response to the Center's discovery that many small water systems have difficulty in determining the level of funding necessary from utility service charges for the ongoing and future replacement of worn-out capital facilities. In addition, the GASB 34 directive on capital facility accounting will require governments to do a better job of managing infrastructure investment. This

new capital facilities financial planning program compliments the *RateMod Pro* utility rate setting computer model which was developed (in its initial form) by the Environmental Finance Program. The "capital financing model" generates information that is essential to the calculation of full cost financing through user fees, which is the primary task of the *RateMod Pro*.

EFC 10's predictions of the need for this tool have proven to be correct. The beta testing in 1999 and 2000 proved that the water system version of the model was useful. In the latter half of 2000, EFC 10 incorporated many suggestions for improvements from beta testing and utilized a software development firm to create the next level of the program. The program was completed and the EFC is in the process of rolling out this new and improved version of the program.

### Alaska Native Village Project

The EFC, through funding provided by EPA Region 10, is assisting the Alaska Department of Community and Economic Development in developing financing tools to help assess the fiscal capacity of Alaska Native Villages to provide safe water and meet Safe Drinking Water Act requirements. The Fiscal Capacity and Financial Measurement Tool will utilize conventional measures of financial and management capability along with other useful measures of capacity unique to Alaska's native villages. The measurement tool will serve three useful purposes: first, to gather baseline information useful for strategic efforts to improve technical, financial and managerial (TFM) capacity. Second, the tool is intended for state agency staff use as well as village official use to perform self-assessments of financial and management capacity; and third, the assessment information is intended to be easily used to satisfy the financial reporting requirements of the villages in Alaska.

### Alaska Sanitary Survey Support

The EFC, working with EPA Region 10 and the State of Alaska Department of Environmental Conservation's Drinking Water/Waste Water Program, is currently enhancing its routine sanitary surveys to include increased attention to elements of system capacity. Existing sanitary survey forms will be reinforced covering managerial and technical capabilities. During this modification process, the requirements of the Interim Enhanced Surface Water Treatment Rule (IESWTR) regarding sanitary surveys will also be addressed. A specific focus of the sanitary survey enhancement will be to gather and analyze capacity related information over time, which will be interpreted as feedback on capacity development efforts.

### Watershed Protection

#### Watershed Funding Workshops – Idaho, Oregon, Washington

The EFC completed three watershed training workshops with support from EPA headquarters, Region 10 and the Environmental Finance Center at the University of Maryland. The training workshop emphasized that recognizing that developing a funding strategy for watershed protection involves more than just looking for money. A successful funding strategy incorporates the visioning, prioritizing, cooperating and leveraging of resources. Funding sources serve to help implement a watershed plan, but do not themselves create a watershed plan. Creating a collaborative vision of the watershed should be the guiding principle for actions. Funding sources and alternative funding techniques serve to implement this locally-based vision.

The workshops presented a framework for developing a long-term watershed funding strategy. The target audience for the workshops was local watershed council members. Training information was presented on public funding sources, private funding sources, locally generated funding sources and alternative funding techniques. The information improves awareness of new funding opportunities and encourages development of a broad-base of funding support.

### **Watershed Roundtable Forum – Idaho**

EFC 10 convened a watershed roundtable forum to develop and improve the dialogue between federal, state and non-government organizations that fund watershed protection and restoration activities. The idea grew out of activities associated with the Clean Water Action Plan. The EFC was seen as the ideal organization to coordinate and facilitate a frank dialogue on the current coordination efforts. A trial effort began in Idaho and the results were extremely positive. The EFC was able to use its unique independent status to promote a dialogue on the successes and failures with stakeholders. The sheer volume of funding information and the complexity of funding programs tends to inhibit participation from watershed stakeholders.

In order to improve dialogue between the various funding sources and to encourage cooperation between public and private funding sources, the Environmental Finance Center at Boise State University is experimenting with a series of meetings in Idaho to promote such a dialogue. The idea originated with several of the members of the CWAP team that organized the Regional Watershed Roundtables. The EFC took the lead on organizing the meetings because of its neutral status. To date, two meetings have been

held and improved dialogue and partnerships are evident.

### **Water Pollution Trading Pilot Project**

This project, directed by the Region 10 Office of Innovation and the Idaho Division of Environmental Quality, provided important information to EPA, states and communities on the feasibility of effluent trading as a potential mechanism to implement market-based solutions to watershed restoration efforts. The feasibility project was completed in the spring of 2000. The project established the financial viability for water pollution trading among point and non-point sources in the lower Boise River watershed area. The EFC's support role in this project provided an opportunity for the EFC to compliment agency and stakeholder efforts by providing financial research and policy analysis as part of the overall project.

### **Clean Water State Revolving Fund – Idaho**

Following state legislative approval in the 2000 session, the EFC was requested by the Idaho Department of Environmental Quality to facilitate the negotiated rule making process for incorporating nonpoint source projects into Idaho's Clean Water SRF. The EFC's efforts were successful in developing consensus on an integrated process that utilizes an integrated priority ranking system.

### **Clean Water State Revolving Fund – Oregon**

In 2000, the Oregon Department of Environmental Quality requested the EFC's assistance in providing

research and policy analysis for extending the Oregon Clean Water SRF to allow participation from nonpoint source projects. EFC 10 assisted DEQ by providing research assistance on policy alternatives.

### **Charrettes**

#### **Brownfields**

The EFC organized and conducted a redevelopment charrette for the western Oregon city of Newberg. EFC 10 continues to provide assistance as needed to the community for this project. The EFC also provided informal assistance to several communities that were considering the possibility of conducting a charrette.

### **NEW INITIATIVES FOR 2001**

EFC 10 will pursue several new initiatives in 2001 in the policy areas of Safe Drinking Water, Watershed Protection and Brownfields.

### **Safe Drinking Water**

#### **Idaho Drinking Water State Revolving Fund**

EFC 10 has been awarded a contract for 2001 to help promote the Idaho Drinking Water SRF which is currently under utilized in the state. The EFC will conduct statewide workshops on developing a long-term funding strategy that incorporates all of the state and federal funding programs. The emphasis will be to develop a broad-based funding strategy that utilizes multiple funding sources.

#### **Source Water Protection**

The EFC will be collaborating with the EFCs at the universities of New Mexico, North Carolina, Syracuse and Maryland on the source water protection project funded by EPA. EFC 10 will be completing a pilot project in Idaho involving federal, state and private land ownership and shallow groundwater, and a pilot project in Oregon involving federal, state and private land, Total Maximum Daily Load (TMDL) and Endangered Species Act compliance issues and surface water use for drinking water.

#### **Financial Management Survey**

The EFC has been awarded a contract for 2001 to conduct a new financial survey for the Finance Committee of the Pacific Northwest Section of American Water Works Association (AWWA PNWS). The survey will collect data on financial practices related to GASB 34 in Oregon, Washington and Idaho.

#### **CAPFinance™**

The EFC will continue to promote the use of CAPFinance™ to improve capital asset management in drinking water infrastructure. The EPA is expected to fund a pilot training program for CAPFinance™ in Idaho and Ohio. The EFC will coordinate this effort with the Great Lakes Environmental Finance Center at Cleveland State University.

#### **Technical, Managerial and Financial Training**

The EFC will continue to deliver technical, financial and managerial capacity training in Alaska as

well as other states that express an interest in such training.

### **Watershed Protection**

#### **Watershed Funding Workshops – Alaska, Idaho, Oregon, Washington**

The EFC has been awarded a contract to conduct 14 watershed funding workshops throughout Region 10. Funding for the workshops is being obtained from the states of Alaska, Idaho, Oregon and Washington as well as EPA and the Corps of Engineers. As part of this effort, the EFC will provide ongoing support to watershed groups in implementing long-term funding strategies.

#### **Watershed Funding Workshops – Colorado, Montana**

The success of the watershed funding workshops has prompted requests from the Region 8 states of Montana and Colorado for similar workshops. The availability of time and resources may limit the ability for these workshops to be conducted. At this time, the EFC has agreed to conduct one workshop in Colorado in October of 2001. Funding for this effort comes from the contract awarded to the University of Maryland EFC for the national watershed funding workshop grant.

#### **Watershed Roundtable Forum – Idaho**

The EFC will continue to convene quarterly watershed roundtable forums to develop and improve

the dialogue between federal, state and non-government organizations that fund watershed protection and restoration activities. The events have been highly successful and there are some requests to extend this concept to Oregon. For 2001, the initiative will focus solely on Idaho and continue to improve the process.

#### **Coastal America Program**

The EFC is working with the regional Coastal America coordinating team to develop greater use of the Coastal America program in the northwest. The EFC is helping to coordinate funding for five projects in the Salmon river watershed sponsored by the Idaho Office of Species Conservation and partially funded by the Bonneville Power Administration.

### **Brownfields**

The EFC will continue to pursue opportunities to conduct Brownfield charrettes throughout Region 10.

## **NETWORK COLLABORATIONS**

#### **Source Water Protection**

EFC 10 will be collaborating with the EFCs at the universities of New Mexico, North Carolina, Syracuse and Maryland on the source water protection project with EPA.

#### **Watershed Protection**

EFC 10 will continue to collaborate with the EFC at the University of Maryland on watershed protection and watershed funding efforts.

**CAPFinance™.**

The EFC will continue joint efforts with the EFC network on development and distribution of CAPFinance™.

**Utility Rate Setting**

EFC 10 will continue its cooperative efforts with the EFC network in conducting utility rate setting training.

**PRESENTATIONS, CONFERENCES AND MEETINGS**

As in the past, EFC 10 will participate in many presentations conferences and meeting throughout the year. In March 2001 the EFC will assist the Northwest Small Cities Center by moderating a panel discussion at their one-day workshops throughout Idaho. As other opportunities arise during the year, the EFC will participate in these activities as available.

**RESULTS**

EFC 10 continues to provide assistance to local communities with the 'how to pay' challenges of environmental compliance and sustainability. The strongest evidence of our results is the increase in requests for assistance federal, state and local governments as well as private organizations. The EFC's increase in funding from a multitude of sources to carry out a wide variety of assistance programs demonstrates the success of such programs. EFC 10 is committed to serving both the needs of communities in Region 10 as well as the collective needs of the EFC network and expects its efforts to improve the

capacity of local communities in determining how to pay for sustainability and protecting the environment.